

RD AN No. 4159 (1942-A)  
March 23, 2006

TO: State Directors  
Rural Development

ATTN: Community Programs Directors

FROM: Russell T. Davis (Signed by Russell T. Davis)  
Administrator  
Housing and Community Facilities Programs

SUBJECT: OMB Circular A-133 Audit Reporting Requirements  
Community Facilities Direct and Guaranteed Loan Borrowers  
and Grant Recipients

**PURPOSE/INTENDED OUTCOME:**

This administrative notice provides guidance on some borrowers previously required to submit audits conducted in compliance with OMB Circular A-133, "Audit of States, Local Governments, and Nonprofit Organizations".

OMB Circular A-133 was created after the enactment of the Single Audit Act Amendments of 1996 (Act) (31 USC 7501 et seq.). USDA implemented the provisions of OMB Circular A-133 in 7 CFR part 3052. Additional information is available in GAO publication, "Government Auditing Standards" revised June, 2003.

**COMPARISON WITH PREVIOUS AN:**

This AN removes the continuing compliance requirement of Community Facilities (CF) borrowers and replaces RD AN 4101(1942-A) dated August 4, 2005. OMB, by approving Part 4 of the March 2004 OMB Circular A-133 Compliance Statement, agrees with the Agency that there are no continuing compliance requirements for Community Facility programs.

EXPIRATION DATE:  
March 31, 2007

FILING INSTRUCTIONS:  
Preceding RD Instruction 1942-A;  
3575-A; and 3570-B

Annual Financial Reporting Requirement Grid  
Community Facilities

Attachment

| Type of Borrower:   | Condition at end of Borrower's Fiscal Year:  | Required to Submit:  | Submission Deadline:  |
|---|--|--|---|
| Direct and guaranteed borrower's and/or grant recipients.                                 | Expended \$500,000 or more in Federal funds.   | An audit in compliance with OMB Circular A-133. <i>(This is a GAGAS audit plus additional information.)</i>  | To Agency by the earlier of: within 30 days from when borrower receives auditor's report or within 9 months of end of audit period. |
| All other guaranteed borrowers  | Did not expend \$500,000 or more in Federal funds, but has outstanding guaranteed loan(s).   | Borrower submits to lender: Financial statements specified in the loan agreement with lender.  | Lender submits to Agency within 120 days from the end of the borrower's fiscal year.  |
| Direct borrowers.   | Did not expend \$500,000 or more in Federal funds , but has outstanding direct loan balance. | Management Reports which includes: financial information, proposed budget, leadership data and, when applicable, a Workout Agreement. Per 7 CFR 1942.17 (q) (2). | To Agency within 60 days from end of borrower's fiscal year.  |
| Direct borrowers that have been operating more than 3 fiscal years, with Agency approval. | Borrower's fourth year of operation, if meets requirements of 1942.17 (r) (1) (ii) (C).      | Financial statements.  | To Agency within 60 days from end of borrower's fiscal year.  |



**IMPLEMENTATION RESPONSIBILITIES:**

Borrowers that expended \$500,000 or more in Federal financial assistance during the borrower's fiscal year must submit an audit report conducted in accordance with 7 CFR part 3052. In years after the program funds are expended and construction is completed, and the only ongoing financial activity of the program is the payment of principal and interest on outstanding balances, the prior loan balances are not considered to have continuing compliance requirements under 7 CFR 3052.205 (d) and Part 4 of the March 2004 OMB Circular A-133 Compliance Statement.

Prior loans which do not have continuing compliance requirements other than to repay the loans are not considered Federal awards expended and, therefore, are not required to be audited under 7 CFR part 3052. However, this does not relieve the non-Federal entity from filing financial reports (which are not required to be audited) or otherwise complying with program requirements (e.g., maintaining insurance, depositing funds in Federally insured banks, obtaining prior approval for sale of the facility.)

Attached is a matrix showing annual financial reporting requirements for CF direct and guaranteed loans and grant recipients. For additional information, please contact Yoonie MacDonald at (202) 720-1501.

Attachment